

FISCAL NOTE

SB 1383 - HB 1005

February 26, 2001

SUMMARY OF BILL:

- Provides for a new method to identify and affix tax stamps to cigarettes. The stamps must be designed in such a fashion as to permit identification of the person that affixed the stamp to the particular package of cigarettes by means of a number or other mark on the stamp or other tax payment identification.
- Requires each person licensed to affix tax stamps to cigarettes, by the 15th of each month, to file a report that indicates the number of packs of cigarettes imported into the United States to which the state tax stamps have been affixed.
- Authorizes the Commissioner of Revenue to request information from any state or local agency, share information with and request information from any federal agency and may also share information with or request information from other agencies in other states.
- Creates a felony charge for any person who fails to comply with federal laws and regulations for packaging of cigarettes. If convicted, the penalty is a fine of not more than \$5,000 or imprisonment of not more than 5 years or both.
- Declares failure to comply with federal laws and regulations for packaging of cigarettes shall constitute an unfair and deceptive trade practice as outlined in TCA 47-18-104.
- Allows any person who sustains an economic or commercial injury as a result of a violation of federal laws and regulations for packaging of cigarettes may bring an action for appropriate injunctive or other equitable relief. Actual damages as determined by the court, may include interest on such damages from the date of the complaint, costs and reasonable attorney's fees. If the trier of fact finds that the violation is egregious, the judgment may be increased to an amount not in excess of 3 times the actual damages sustained by reason of such violation.

ESTIMATED FISCAL IMPACT:

Increase State Revenues - Not Significant

**Increase State Expenditures - \$9,900 Recurring
\$52,000 One -Time
\$13,900/Incarceration***

Estimate assumes the following:

- any increase in state revenues from the levying and collection of civil penalties for violation of the cigarette stamp labeling provisions of this bill will not be significant.

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- a recurrnig increase in cost of stamps issued by the department of \$9,900, (\$0.015 per 1000 with annual purchases of 660,000,000 stamps), and a one-time increase to modify automated systems and to redesign the tax stamp of approximately \$52,000.
- any increase in state expenditures associated with the investigation of violations of the cigarette stamp labeling provisions of this bill would be not significant.
- an increase in state expenditures for incarceration of one Class C felony conviction each year. Bill does not specify the level of felony offense but the mandated punishment indicates violation of the proposed act would be a Class C felony.

**Section 9-4-210, TCA, requires that: For any law enacted after July 1, 1986, which results in a net increase in periods of imprisonment in state facilities, there shall be appropriated from recurring revenues the estimated operating cost of such law. The amount appropriated for operating cost, in current dollars, shall be based upon the highest cost of the next 10 years, beginning with the year the additional sentence to be served impacts the correctional facilities population.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director